

MINUTES OF THE MEETING

April 12, 2010

10:00 a.m.

The meeting of the Higher Education Bond Oversight Committee (the “Committee”) held at the North Carolina Community College Central Office was called to order by co-chair, Charlie Davidson. Committee members attending were: Charlie Davidson, co-chair, Paul Fulton, co-chair; Peaches Blank, William Long and William Marshburn. Legislative Staff, Mark Bondo, and Committee Assistant, Ann Faust, were in attendance. Others attending are noted on the sign in roster attached to the minutes.

Mr. Davidson opened the meeting with greetings and appreciation to the Community Colleges for hosting the meeting.

There was a discussion of the work left to be accomplished and how to delegate oversight for finishing the few projects not yet complete. A concluding letter is being prepared for the Legislature defining the work accomplished and recommending the oversight still needed. A Final Report to the Legislature will come from the Committee Chairs on behalf of all Committee members.

Jennifer Haygood was introduced and reported for the Community College System. She stressed the importance of the Bond Program to the community colleges and the university system. Community colleges received \$6 million without which the colleges would not have been able to meet the increased demands for reentry and retraining and the rapid growth in traditional students beginning their four year degree work. Ms. Haygood distributed an analysis of the number of assignable square feet per FTE prepared by the Higher Education Facilities Commission. In 2000, 24 of the institutions were below industry space standards of 100 sf per FTE. In 2008, despite enlarging the campuses by 3.6 million square feet, assignable space per FTE declined by five feet. There are now 32 schools below industry standards. The bond funds were either directly or indirectly responsible for this facility growth. The schools in urban areas are growing very quickly. In the academic year 2009-2010 the FTEs have grown by 31,000 students – the size of NC State, the largest university campus. Many classes may soon be available on line for distance learning; a team is working to develop system-wide access for some courses. One of the biggest obstacles is the state’s debt capacity and availability of funds for the short and long term.

Sharon Rosado, Manager for Administrative and Facility Services, continued the Community College report. The largest outstanding is the \$725,699 remaining for Vance-Granville for land acquisition. After trying for some time to reach agreement on a particular piece of land, negotiations ceased, and a piece of land adjacent to the Granville County campus that was not previously on the market may now be available and negotiations are underway. The purchase would use most of the funds. The money was earmarked specifically for Granville County and cannot be used elsewhere without legislative action.

For the period ending 12/31/09, HUB participation is 11.81%, a slight increase over the last quarter. \$86.4 million spent for HUB contractors. Female contractors lead the way followed by African American contractors. A few contractors are Hispanic, American Indian, Asian or economically disadvantaged. Wake Tech attempted to offer implementation of guidance and leadership to all colleges to try to increase HUB participation. Several campuses were interested but it has proved difficult to enroll HUB contractors. Efforts will continue. Mr. Davidson urged that the colleges continue to emphasize HUB participation through the System and note the successes during the bond program construction.

Three hundred seventy projects out of 409 (90%) have been completed and closed out, 26 have been completed and are awaiting final payment, 20 are in construction, and 11 are in design. By the end of 2010 there should be only those 11 projects now in design under construction and left to complete. The Vance-Granville land acquisition is still left. Southwestern was the last college to meet the matching requirements, and the final project should be complete by January 2012. The final Fayetteville Tech project is in design and should be complete on time by June 2011. \$568.1 million of the \$600 million (95%) has been expended. The 11 projects to be completed in 2011 - 2012 will use \$26.7 million of bond funds and \$23.4 million in other funds.

Shari Parrish presented the HUB report for the University System. Reaching HUB contractors has been an extreme challenge despite serious outreach efforts. \$469 million has been expended with HUB firms, 16.6% overall - \$427 million on construction (16.8%) and \$42 million on design (15.6%). This includes CMR projects and many smaller projects and single prime participation. CMR at 21% has offered the most opportunities for HUB contractors. Overall bond projects met the stretch goal for HUB participation, with overachievement by women owned businesses and a slight under representation of African American owned businesses. It is still difficult for African American contractors to secure large contracts because of a lack of strong infrastructure and capacity of the companies. The top achieving campuses were Elizabeth City State, North Carolina Central, Fayetteville State, Winston-Salem State and North Carolina State. Mr. Davidson urged continued education, support and employment of HUB contractors for System projects. Ms. Harris noted great improvement in HUB contracts at UNCC on non-bond projects. (See the University Report for more detailed figures.)

Terrance Feravich, Associate Vice President for Finance and Services Officer, reported on the progress of construction projects totaling \$4 billion with \$2.5 billion coming from bond proceeds. The goal for all funds expended was March 31, 2010, and to date there is only nine million dollars yet to expend. Approximately eight million dollars of that belongs to UNC-TV which was delayed awaiting action from the Federal government. Fourteen campuses have expended all of their bond funds. 96% of the projects are complete; 308 projects are closed out; nine projects are still active. Only seven campuses have not completed their close-outs. FSU, UNCW and UNC P were encouraged to hasten work and UNC P has completed its infrastructure project which was running behind schedule. NC A & T is in the process of closing out its final two projects – Cherry Hall and Barnes Hall. Once campuses have expended all funds, they prepare

and submit a Closeout Progress Report to General Administration. For acceptance, all accounts must be justified, the System's final report filled out and all documentation, including the architect's final report with justifications and changes, in order to have an accurate history of each project for future review and or re-creation. Only one or two projects, with the exception of UNC-TV which was granted an exception, will not be closed out by the target date of June 30, 2010. Although late to begin, UNC-TV has been the beneficiary of falling prices and acquiring newer and better technology that was not available two or three years ago. The University pledges to have all the funds committed by the end of 2010, and all projects are scheduled to be complete by September 2011. A new station will come on line in the Waynesville/Canton area.

One University project has not been closed out after two years, and there is a claim pending on it. Four projects have not been closed out after one year but should be closed out this year. Cash flow and timing have become a non-event; there are no constraints. The University has paid only \$906,700 - .04% -in claims which was hailed as incredible success given the size of the endeavor. Mr. Davidson cites the use of CMR, which reduces conflict, in reducing claims and suggests advocating for CMR in the Final Report.

The report of the Office of State Treasurer was presented. There was never a shortage of funds for projects, due in large part to using Prima Vera scheduling. Some bonds have been called and re-issued at lower rates. Debt service was less than the original estimate due in large part to good management by the State.

Mr. Gregory Driver, from the Office of State Construction, joined the meeting by phone conference. There was a discussion of a claim by Winston Salem State of \$966,700 against Avino and a counterclaim filed of \$577,000 filed by Avino on May 12, 2008 against Winston-Salem State. A hearing was held on April 8, 2009, and no resolution has been reached.

Mark Bondo led the discussion of dissolution of the Committee by Final Report and designation of final oversight for the few remaining projects. At the direction of the Committee chairs, Mr. Bondo drafted a letter asking the Speaker of the House and the President Pro Tempore of the Senate to dissolve the Higher Education Bond Oversight Committee and move oversight of the University System to University General Administration and the oversight of the Community Colleges to the State Office of Budget Management. Reports will then be made to the Governmental Operations Committee during the interim. Mr. Bondo has alerted leadership to this. **Members of the Committee will review the letter and respond to Mr. Bondo with comments** before the final form and content are determined. The letter will go out over the names of all who have served as members during the life Committee. The University and Community College Systems will be encouraged to prepare reports of the work done on their campuses and the impact of those projects.

The next meeting was scheduled for October 25, 2010 at UNC General Administration.

There being no further business, the meeting was adjourned.

Charles Davidson, Co-Chair

Paul Fulton, Co-Chair

Ann Faust, Committee Assistant